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**STATE BOARD OF EQUALIZATION**

916-445-6450

April 3, 1989

Dear X-----,

This is in reply to your February 7, 1989 letter regarding the application of sales tax to various charges you will make in connection with printing, secretarial services, and publishing. You provided the following outline of work which will be performed by your proposed several divisions:

“Graphic Design:

1. Services include Logo and creative design services.
2. Pasteup and layout services.
3. Typesetting and computer design services, using Macintosh Computers and Phototypesetters
4. Laser printing services, includes providing laser prints from customers' disks brought to our office.
5. Camera Services, including film negative, film positive, photoscreening and PMT services, including plate-making services.
6. Concept services, where our artist gives clients rough ideas for design services and billed on an hourly basis. However, no finished product is received by the client.”

Sales and Use Tax Regulation 1540, Advertising Agencies, commercial Artists and Designers (copy enclosed), provides the application of tax to charges for graphic design at subdivision (c):

"Commercial Artists and Designers. The tax applies to the entire amount charged by commercial artists or designers for items of tangible personal property such as drawings, paintings, designs or sketches transferred to the client, whether or not the property is suitable for display or is useful for actual reproduction by photo-mechanical or other processes .... "

Your charges for logos and creative design are subject to tax. Further, your charges for what you described as "concept services" are subject to tax when you transfer rough sketches or any other form of designs to the client, regardless that you bill the client on an hourly basis or that the designs you transfer are not in finished form. Certain

charges for "preliminary art" are not subject to tax. See subdivision (h)(4)(A) of Regulation 1540 for a discussion of the application of tax to charges for preliminary art.

The composition of type, whether text type or display type, is the performance of a service, and tax does not apply to charges for such service, unless the service is a part of the sale of printed matter. In such case, tax applies to the gross receipts from the sale of the printed matter without any deduction for typography. (Reg. 1541, Printing and Related Arts, subd. (f)(1).) Further, charges for making pasteups that incorporate any form of artwork are subject to tax. (Reg. 1541, subd. (f)(5).)

Your charges for printing and what you describe as camera services are generally subject to tax. (Reg. 1528, Photographers, Photostat Producers, Photo Finishers and X-Ray Laboratories; Reg. 1541, supra.) Tax does not apply to separately stated charges for the negative development of customer-furnished film. (Reg. 1528, subd. (b)(3)(A).)

#### "PRINTING SERVICES:

1. Xerox, photo copies, Xerox 9500
2. Printing, off-set printing, off-set plate production, charges for ink and supplies used in each run, i.e. ink charges etc.
3. Pre-press services including stripping and cutting of stock to go on press.
4. Letterpress printing ... die cutting, foil embossing and blind embossing."

Generally, sales tax applies to charges for printing regardless of whether or not the customer furnishes the paper. Tax applies to your charges for photocopies and printing. (Reg. 1541, subd. (a).) Your charges for pre-press services are includable in the gross receipts of your sales of printing. (Rev. & Tax. Code § 6012, subds. (a)(2) and (b)(1).)

#### "BINDERY SERVICES:

1. Cutting and trimming
2. Padding of forms
3. Drilling & punching holes by machine and by hand
4. Scoring and perforating by machine and by hand
5. Numbering by machine and by hand
6. Collating by machine and by hand
7. Hand gathering of pages tor booklets
8. Stitching
9. Book binding - Vela and Spiral
10. Punching books for binding
11. Folding - by machine & by hand
12. Binding legal briefs for attorneys"

Revenue and Taxation Code section 6006, subdivision (b), describes sale to include the producing, fabricating, processing, printing, or imprinting of tangible personal property for a consideration for consumers who furnish either directly or indirectly the

materials used in the producing, fabricating, processing, printing, or imprinting. We believe that each of the processes you described above is a fabrication of tangible personal property. If you perform such a process for a consumer, tax applies to your charge. For example, when an attorney prepares legal briefs and provides them incidental to performing legal services, the attorney is the consumer of the briefs. Tax applies to the sale to the attorney of materials which the attorney incorporates into the brief. When you bind the briefs for the attorney, your charge is subject to sales tax as a fabrication of tangible personal property for a consumer. On the other hand, if a publisher brings books to you to bind which the publisher will sell, you may accept a resale certificate from the publisher, and no tax is due on your charge.

**“SECRETARIAL SERVICES:**

1. General Typing services using customer provided forms or formats
2. Word processing services.
3. Multiple original letters introduced from customer’s lists
4. Inputing of customer mailing lists into computer/word processor.
5. Playcuts of customer lists onto label or onto original letters.
6. Transcription services
7. Composing newsletters and flyers”

Tax does not apply to charges for typing original letters or forms for customers. We are enclosing a copy of Regulation 1502.1, Word Processing, which provides you with the application of tax to charges for word processing and the other charges you listed above. We are unable to provide you with an opinion as to the application of tax to charges for “inputing (sic) of customer mailing lists into a computer/word processor” and “transcription services” without a more complete description of the transactions and a description of the property which you provide to the customer as a product of such work.

If your composing of newsletters and flyers is merely the composition of type matter only with no artwork, tax does not apply to your charge for such composition.

**“MAILING SERVICES**

1. Hand sorting of letters by zip code
2. Fold letters for mailing
3. Play out customer's list on labels from in house computer
4. Affixing postage and labels to envelopes.”

Enclosed is a copy of Regulation 1504, Mailing Lists and Services, which provides the application of tax to charges for mailing services.

We hope this answers your questions: however, if you need further information, feel free to write again. In such case, please provide a description of the work you perform and the tangible personal property which you provide to the client. We are unable to locate a record of a seller's permit issued in the name of X-----, or X-----. If you have not done so, you should contact your local State Board of Equalization office to obtain a seller's permit.

Very truly yours,

Ronald L. Dick  
Tax Counsel

RLD:sr  
Encs.